

# Vancouver Board of Trade, Budget speech

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12:00 PM

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Thank you very much, everybody, for being here and being interested in what we're doing in terms of our budget today. Thank you very much, Richard and Tim, for the introduction, and to the Board of Trade for giving us an A on our budget this year. Appreciate that very much.

Before I get started, though, I do want to make a quick recognition of a person who is here, really, on behalf of the board of trade and everybody who cares about a growing economy in British Columbia, Lynn Whitehouse.

Because for 30 years, Lynn, has been running the Greater Langley Chamber of Commerce and has done just an incredible job of supporting a free enterprise, growing economy in that region of British Columbia. She is an example of dedication.

And, of course, Lynn and the people that she serves and all the people that she represents and works with are the reason that we work so hard to make sure that our budget is one that works for British Columbia. So today I want to talk to you about \$1.6b in new investment that we're making in this budget, some of the new initiatives that we think are going to make a real difference in lots of people's lives. But really for me the budget is a story about British Columbia.

It's an expression of our aspirations for the province. Where we want it to go, it's our road map to the future. And so it's also the story, too, about how British Columbia is leading the country and how we are, for the first time, perhaps in British Columbia's history, leading confederation. When was the last time we were able to say that British Columbia is leading confederation?

It's a moment that's been unique in our history here as we presented our fourth consecutive balanced budget. We have created 50,000 jobs over the last year, our economic growth leads Canada, and, since 2011, our economy has grown by a full 8%. And that's why we're leading. And one of the best indicators of that performance is the credit rating agencies. We certainly learned back in the 1990s what it means when the credit rating agencies don't think you're doing a good job and here we are now the only province in Canada that is triple-A rated stable, which is the highest rating that you can get from both Moody's and Standard and Poor's.

They have referenced our very strong fiscal management, our exceptional liquidity, our very strong and wealthy economy. We are on track not because of what they said but because of what we've done to eliminate our operating debt here in British Columbia. By 2020 we will have eliminated it for the first time since 1975.

And because we are running surpluses and because we are paying down our operating debt rather than increasing it, we are able to say to our children for the first time in a long time that we're paying our own way. And we're doing better than paying our own way. We are making sure that they are left with less to look after than previous generations have left them. And I think that is a principle that we would all believe in when we think about our own kids. You want to leave them better off than you were, you want to pay your own way, you want to put a little money in the savings account so that they're better off than you were.

As a province we want to try and do exactly the same thing, and that's why this principle is such an important one for us and for my government. I'll give you an example of what this means for us because eliminating our operating debt for the first time since 1975 is the first

step in getting to a debt-free British Columbia. Well, it's the second step. First step is having a surplus, the second step is eliminating our operating debt. And it's way too much to risk for us to take our eyes off the ball because we're getting there, incrementally, every day we make hundreds of decisions and every one of those decisions needs to be one that's consistent with our principles.

Right now, in British Columbia, we are still spending \$1.6b on debt repayments. And I'll give you a comparative example, if we had Ontario's credit rating and we had their debt to GDP ratio we would, in British Columbia, be paying \$4b on our debt. Ten per cent, almost, of our total budget would be going to pay banks to make sure that we pay interest on our debt. But because we've stayed disciplined, because we've made sure we've kept paying down that debt, because we've kept our credit rating high, we have \$2.4b more to invest in people.

It is people that build our economy. And that's why in this budget, as we've been able to create economic stability and create wealth and create a healthier society. We've taken the new money that we have and focused it on investing in people. When this budget, a \$1.65b increase in spending, that's money that we're spending on citizens. Investing in the citizens who are going to grow our economy. I don't want to make it sound like we don't borrow at all, because we do borrow, but in British Columbia today now we only borrow so we can build. Because there is a difference in the money you borrow to pay the grocery bill, money that's gone, spent, with nothing to show for it, and money that you invest in infrastructure, in schools and hospitals and roads and bridges that will be there for your children to be able to use and to build upon themselves.

And it also is a source of economic stimulus. We've heard

a lot about that in the last federal election. Spending on infrastructure by government as a way to create jobs. We're doing that in British Columbia and, by the way, we're doing it without going into deficit. We are spending \$20b, if you include BC Hydro, on capital. That's capital at Children's and Women's Hospital, it's capital at schools across the province, the Life Sciences Centre out at UBC, it's investments in roads and bridges, and all of that infrastructure that allows us to grow our economy and educate another generation of British Columbians. And so along with BC Hydro's investments, that's going to create 71,000 jobs over the next three years.

Over ten years just BC Hydro alone is going to create 110,000 jobs. It always seems so strange to me when the Opposition opposes BC Hydro building Site C. Because you can't say you're standing up for working people when you don't expect people to be working. We do support working people and we want to make sure they have jobs, fulfilling jobs. Ones where they can go home with dignity, set an example for their kids, pay their own way.

Government investment in the future, in infrastructure, is one of the many ways that we can do that. We've also worked hard to keep taxes low while we continue to build. If you look at this graph you'll see that our provincial taxes are the lowest anywhere in Canada for anyone earning up to \$122,000.

Because we believe if we can keep our taxes low we leave more money in your pocket and you can spend it better than we can. We know that you do that, that you spend it a lot more efficiently than we can, and that's part of the dividend that we can return to British Columbians. So I want to start with the five priorities that you'll see in Budget 2016. The first one I want to talk about is MSP.

First of all, we are investing an additional \$3.2b in the Ministry of Health compared to last year. That's so we can continue to pay for all the services that make our health care system really the best in Canada. The analysts say that we are, in British Columbia, the third best in outcomes anywhere in the world. We have the longest life expectancy in Canada, we have the best cancer survival rate. That has been the focus, the result of very purposeful investments that our government makes. Now MSP premiums fund a fraction of that but MSP should be distributed fairly, it should be distributed equitably, and in a way that makes sense.

So starting next year we're beginning with the set of changes we want to make to help BC families with the cost of living. And to make MSP a little bit more fair. With the changes we've made, two million people will now no longer pay MSP at all, that's 40% of our total population won't pay a penny in MSP. An additional 335,000 British Columbians will receive a reduction in what they pay and that's for low income families, for seniors, individuals who qualify for premium assistance.

And no parent, no matter who you are in the province, will pay for your children anymore. And what does that mean? It means that a single parent with two kids will save up to almost \$1,300 every year in MSP. A couple with two kids, \$720. A single senior could save up to \$360 per year. And there are those, I know, who say we should just roll it into income tax. Well, it's not quite that simple because there are about 4.5m British Columbians, about 1m have their employers pay their MSP. If we decided to accept that solution, to just roll it into income tax, all those bosses who are now paying for a million citizens' MSP would be relieved of that burden.

They might be happy about that but all the employees who have to pick up that added cost would be out of

pocket. It's a complicated system. It's grown up with all kinds of inequities over the years. The changes that we've made in this budget are ones that we can build on. They're not the end of the changes we want to make, they are the beginning. But by making sure that 2m British Columbians no longer pay, I believe that we are on the road to making the system a whole lot fairer.

Now the second part of our budget was focused on children. Now if you have kids you may be aware, I hope you're aware, that we have something called the BC Training and Education Savings Grant. It's a \$1,200 RESP contribution that we make for your kids. It helps parents save for post-secondary education and any parent with a child who was born in 2007 or later was eligible for it. This year we are extending that. If you have children who were born in 2006 or later you are now also eligible for it. That's an additional investment of \$39m to support making sure that we put that seed of money in the bank account that you can build on so that every parent can aspire; realistically aspire to making sure that they can afford a post-secondary education for their children. That's 40,000 more kids who are eligible.

And as we are able in the future, we want to make sure we continue to make these investments for even more kids because 80% of jobs in the future will require a post-secondary education.

The third pillar of the budget talks about home ownership. How do we make it more accessible and affordable for people? Last week I announced we are making the biggest investment in affordable housing in British Columbia's history. Three hundred and fifty five million dollars that will build an additional 2,000 affordable housing units that will build on the 25,000 affordable housing units that are already there. Those are measures that are very real measures to make sure that

there is more affordable housing for people all across the province.

But we also need to take measures to help young families and people who want to enter the market for the first time. As of today new housing up to \$750,000 is totally exempt from the property transfer tax. Last year about 60% of homes that were sold in Metro Vancouver were under that threshold. With these changes people will save up to \$13,000 on their upfront bill for housing in British Columbia. The way we are paying for that is a luxury tax on homes that are over \$2m.

All of that extra tax is going to support people who are entering the market or are buying a new home for their principal residence. We're also expanding the seniors home renovation tax credit. We're increasing the homeowner grant threshold from \$1.1m to \$1.2m. '

We need partners in making sure that we keep home ownership as inexpensive as possible. In many ways it's only local governments that are going to be able to affect those things. It's local governments that determine the supply, and one of the significant problems we've seen in the Lower Mainland is that supply and demand has been vastly out of balance. Local governments need to be incented to increase supply and we hope that by making sure that there is an additional advantage in buying a new home, that municipal governments will respond and increase the supply of new housing in the market. We hope that local governments will join with us in also lowering the tax burden that they add on to housing.

Making it transparent, fully and finally, for every buyer, how much tax, every provincial, municipal, and federal government adds in the form of property purchase tax, any other tax, in the form of DCCs and ACCs. Consumers should know exactly how much it is that governments

are adding to their total bill. A lot is being said, in Vancouver in particular, about what is driving the market. What it is that's causing the housing rates to go up. And the fact is we don't have enough data to understand this.

One of the changes in this budget will mean that as of this summer all new property buyers will have to go back as they were up until 1989, they will have to go back to the system where if you are not a citizen or a permanent resident you must declare that. I want to just quickly touch on some of other issues that have been raised with respect to housing in Vancouver.

That is really with respect to what's been going on with realtors. I want to say the vast majority of realtors are doing the absolute best job that they can to represent their clients in an ethical, honest, and upfront way. But there have been too many stories recently of a small number of realtors who apparently are not living up to their ethical obligations. We've asked the Real Estate Council to do an investigation, to come back to us with their results. I've said to them very clearly this, if they do not come back to us with a way to fix the problem and ensure that realtors in British Columbia, all of them, are living up to the highest possible standards, if they cannot fix it, our government will fix it.

Because I am absolutely running out of patience. This is a hot market and in a hot market there is all kinds of opportunity for unsavoury speculators and unsavoury operators to get involved. We want to make sure that the real estate industry and the honest, hardworking realtors in British Columbia maintain their good name. We will act to make sure that they do.

And last I want to say this, in our budget what we focused on is making sure that we deliver dividends to people. That is what I think of as giving people a hand up.



Because there is two ways you can approach government. You can say government is all about trying to make it easier for people to live in poverty or you can say government is all about trying to make sure that we lift people out of poverty, that we try and give people the opportunity to live the kinds of lives that they really want to lead.

But for some people who face real challenges they need more help. The Ministry of Children and Family Development, this year, is going to receive \$217m spread over the next three years to support the most vulnerable children among us. To make sure that they have the same chances that every child has in the province. That money's going to go towards supporting families, those in need, addressing the rising costs and demand that we have, implementing the recommendations in Bob Plecas's report, and that includes his request for \$65m in new funding.

Now we are exceeding that by about \$15.5m because we looked at his recommendations and we felt we could even do more. Because ultimately we will be judged about how we care for those who are most vulnerable among us. That's why also we've made a big increase, \$456m for the Ministry of Social Development and Social Innovation. And that includes a \$170m increase in income assistance rates for people who live with disabilities, an increase of up to \$77 per month. It'll affect over 100,000 people and those rates haven't been raised since 2007.

It's time we addressed that so that people with disabilities can live with the kind of dignity that all of us want to have. I want to comment last of all on the prosperity fund because there's been some discussion about that in the last couple of days. Because it is true, absolutely, we all know that global conditions are

slowing down the progress on LNG. But, as I always say, success in these kinds of things is not for quitters.

Achieving your goal, as so many of you know in so many aspects of your life, often means experiencing unexpected challenges. And it means that just because something gets hard you don't run the white flag up the pole.

It means you stick it out, you keep your eyes on the ball, you keep your ambitions high, and you just work until you get there. That's what we're doing as we work to bring that opportunity home. Even though we haven't yet received a final investment decision on an LNG project we are still growing our economy. A diverse economy grown by tech and forestry and mining, even though commodities are very, very low at the moment, and we have surpluses in our budget. So why not put some of that money aside? Why not take it out of the chequing account and put into the savings account instead?

I'm proud to say that this year, in Budget 2016, we are making the first deposit in BC's prosperity fund of \$100m. That money's going to go towards two things. The first is eliminating debt and the second is ensuring we have an endowment for future generations. As times get better, which they are now, I think we have that obligation to put the money aside. Fifty per cent is set aside for debt, 25% for an endowment, and 25% for priority investments. And I recognize \$100m in the context of our budget is a relatively modest investment, but it will grow as surpluses continue to grow.

If you want to know why we are able to make that kind of investment it's because we're starting to see British Columbia grow again all over. We're starting to see our enrolment going up in schools for the first time in decades in British Columbia. We are seeing migration

across the border, across the Rockies, from the rest of Canada and from around the world to British Columbia grow dramatically. Thirteen thousand people have crossed the Rockies in just the first three quarters in British Columbia.

We've had 50,000 people join our province and they are coming here because we are getting the fundamentals right with a diverse economy. They're coming here because we've seen our commodity exports go up by 42%, a total of \$35b. They're coming here because we are the least dependent on the United States market of any province in Canada. They are coming here because we are working hard to open those diverse markets and you'll see in this budget an additional \$5m being invested to open up markets in the fastest growing middle class in the world, in India.

They are coming here because they know that you grow an economy by making sure that your government is smaller than the private sector. Now in British Columbia we are in an enviable position when you compare us to the rest of the country. We are in a position where we can welcome people from all around the world, welcome them and make sure that they have the opportunity for employment. That's why, in addition to creating 50,000 jobs over the last year, we are also investing heavily in education. Seven point five billion dollars invested in education every single year, and that number continues to grow.

We are not just spending it, we're changing the way that we spend it. Making sure that every child in an elementary school in the province knows how to do coding, how to speak the, no, it's not Esperanto, the new language, universal language is coding. We want to make sure that every child who graduates from high school in

British Columbia can speak it. Making sure that post-secondary institutions that offer a technology related degree also offer cooperative education. Reprofitting the money that we spend at all post-secondary institutions, whether those are trade schools, whether those are universities, are focused on making sure we are delivering the education that's going to meet the needs of the economy.

To create an education system that is truly data driven. One based on the needs of our economy as it continues to grow. A hundred million dollar tech fund to seed a new part of the economy. Make sure that small businesses have the opportunity to grow. Fifteen million dollars to support our music industry so that we can become Nashville North, right here in Canada. We want people to come to British Columbia. We want them to bring their children. We want them to come here and find jobs because you cannot build an economy if you don't have people.

You can't pay the bills if people aren't working. So my last reminder to you would be this. It's that we are doing really well here in British Columbia and we should be proud, you should be proud, all of you in the private sector who are creating jobs every day, of what we've achieved. But there is so much risk and uncertainty around the world we cannot rest on our laurels.

We have to make sure we keep our eyes on the ball. We don't give up, we don't decide it's going to be easy and there's no hard decisions to be made. Because we've seen what's happening in China where stock markets are closing without notice. The US is just starting to come out of recession in one of the ugliest presidential campaigns in history. Here in Canada the dollar is falling to new lows we haven't see in a long, long time. Ontario, often seen as Canada's economic engine, is labouring under the

world's largest sub sovereign debt, a debt per capita larger even than California. And Alberta is being hammered every day by falling oil prices.

That contagion can spread incredibly quickly. Having these balanced budgets puts us in a very exclusive club. Quebec says that they will balance their budget, British Columbia has balanced their budget. Other than that in the rest of Canada there isn't much good news on that front. As I said at the beginning, there are hundreds of decisions across government that go in every day to make sure that we stay in the black. And that's why we put so much effort into all the things that we do, making sure that public servants in BC have a stake, for the first time, in a growing economy. Where they will get a bonus when our economy grows faster than predicted.

More than 250,000 people, 80% of our public service, have reached agreements, including the longest period of negotiated labour peace in our schools in British Columbia's history. We are going to continue down this path that we've set out. We're going to continue down this path because we really believe in it. We believe in lifting people out of poverty not trying to make the poverty a little bit easier for people to live in. We believe in making government services better not just more expensive, as we continue to spend money on it.

We believe in reaching out and growing trade all around the world, not closing our doors to free trade agreements and the world around us. We believe that the way to make British Columbia better is to grow our economy rather than to grow government. And to paraphrase David Brooks in the New York Times today, we cannot be driven by fear, by cynicism, by despair, which we hear so much of from members of the Opposition and all the forces of No all-around British Columbia every day.

Instead we should be motivated by hope, by opportunity, by optimism, by ambition. Those are the things that should motivate us. Those are the things that make us our best selves. It's because we've been optimists, it's because we've been ambitious, that British Columbia is number one today. We have a unique story here, a story that we are continuing to write. A story that now, where one chapter is titled British Columbia, the province that leads Canada from the Pacific. Thank you very much.